

**MINUTES OF THE MEETING OF THE
ECONOMIC DEVELOPMENT & TRANSPORTATION COMMITTEE
WASHINGTON STATE TRANSPORTATION COMMISSION**

January 18, 2002

The meeting of the Economic Development & Transportation Committee of the Washington State Transportation Commission was called to order at 12:40 p.m., on January 18, 2002, in the Wyndham Hotel in SeaTac, Washington.

Committee members present were: A. Michèle Maher, Ed Barnes and Elmira Forner.

Commissioner Maher announced that the first part of the meeting would consist of presentations by region administrators regarding the economies of the regions and the transportation investments needed to promote economic development.

Don Senn, North Central Region Administrator, described the geographic boundaries of the North Central Region, and described the region's economy. Agriculture, tourism and recreation, hydropower and related industries, and high technology and light industry form the four major economic sectors for the region. The agricultural sector is struggling to make a transition to winemaking because of the decline in the economic viability of the fruit orchards. He pointed out that the Growth Management Act limits the options available in making the transition to a new economic base. Unemployment is 13.5% in Okanogan County, 12.5% in Douglas County, 11% in Chelan County, and 10.5% in Grant County. Mr. Senn then discussed the tourism and recreation sector, pointing out that there are several centers such as the Methow Valley and Mission Ridge that are destinations for visitors. Tourism and recreation is a major driver of the economy of the region. Year-round commercial air access to Wenatchee and Omak is important for the viability of destination tourism and recreation in the region. Hydropower is a major industry in the area, and also attracts high technology and light industry businesses. Commissioner Maher asked whether the Department would pursue using the highway right of way for broadband cable access to support the development of the high technology and light industry sectors in the region. Mr. Senn responded that the right of way could be made available, but "light lanes" are something that will come to the region later; for now, the most important factors in attracting high technology businesses and light industry is access to and from the region through the interstate highways and commercial air travel.

Mr. Senn commented that a major challenge for the region is the conflict between NAFTA freight movements; agricultural goods freight movement, tourism, and local travel all traveling on the same highways. Access management, safety and economic development are goals that have to be balanced in highway planning and design. Many of the economic development opportunities are small, location-specific projects; the general safety and mobility provided by the highway have to be preserved while attempting to

permit business to develop along the corridor. The state, county and the developer worked together to make access to a fruit stand along SR 97 work, for example. Commissioner Forner pointed out that SR 97 and SR 97A are routes where the access rules and the design have to be reconsidered as the economy changes from fruit orchards to wineries and grapes, and small commercial establishments. Mr. Senn responded that freight and tourism traffic can come into conflict on a two-lane highway, and the issue should continue to be pursued for solutions.

Mr. Senn also addressed the aviation issues for the area. He hears from businesses constantly that they need improved all-weather commercial air access to the region. The Department is working with the Port of Chelan/Douglas on the issue. The airport is also developing a new master plan. Omak also needs a commercial flight, both for the tribal industries and businesses and the resorts. The airport improvements would have to be subsidized, and a navigation system is needed. The runway length is sufficient for commercial traffic. Regarding rail service, the fact that Amtrak comes through at 4:00 a.m. is not adequate service for access to Seattle. The Port of Quincy is interested in a “potato train”, similar to the Fruit Express program currently in place. Mr. Senn completed his presentation by briefing the Committee regarding the various corridor planning and advocacy groups within the region.

Commissioner Maher asked what would be the most important work to accomplish in the region, if money was not an issue. Mr. Senn responded that having discretionary funds available to invest in partnerships with other agencies and the private sector has been the most useful tool in promoting economic development. He also indicated that developing the four-lane highway connection from Wenatchee to I-90 is extremely important to the trucking industry. He shared a list of projects with the Committee, reflecting the work that is in this biennium’s program. Commissioner Forner pointed out that there are many organizations within the North Central Region working on various projects and programs, and stated her hope that the new metropolitan planning organization being formed would be able to coordinate all of the efforts. Commissioner Maher agreed, stating that the Committee should have information regarding all of the organizations and plans so that it can see how they all fold into the Department’s transportation plan. Mr. Senn commented that given the limited amount of funds available for rural areas, he wants the input from the Committee regarding how to best spend those funds.

Theresa Smith, Aviation Planning Manager, commented that the Aviation Division is developing a needs list, which will include North Central Washington, and is working with the Department of Health to better understand the importance of aviation services in assuring access to health services and trauma care.

Commissioner Maher pointed out that because the state is not developing the eastern Washington corridors on the north-south access, products from eastern Washington are being diverted to Canadian freight carriers who can travel up I-5 and cross

the border quickly, instead of being shipped on American freight carriers along the shorter route into Canada. The result is that money is flowing into Canada, rather than supporting American/Washington businesses.

Commissioner Forner urged the Committee to develop benchmarks for transportation's contribution to economic development, so that the investment can be targeted and justified, and the return on investment calculated.

Don Whitehouse, South Central Region Administrator, discussed several projects in the South Central Region that are important to the economic vitality of the area. He pointed out that none of the projects compete well in the Mobility Improvement Subprogram. He described the proposed project on SR 82, South Union Gap Interchange project; the SR 82 Valley Mall Interchange project; the SR 24/ I-82 Interchange and lane widening project; and the SR 82 Terrace Heights to SR 24 lane widening project. He described how each of the projects would improve access and mobility for commercial and industrial business in the Yakima area. Mr. Whitehouse then discussed several projects in the Tri-Cities area, including the SR 240 project to widen the highway between Richland and Kennewick; the SR 82 Red Mountain Interchange and four lane connector; the SR 182 Queensgate to Richland Interchange and lane widening; the SR 12 project to widen the highway from the Snake River to Wallula; and the SR 397/I-82 Intertie project. Mr. Whitehouse described the I-90 Snoqualmie Pass East, Hyak to Easton project, which is now in the concluding stages of the EIS process, and is crucial for cross-Cascades freight and people movement. Commissioner Maher asked how much of the SR 12 freight traffic could be tied into the SR 295 NAFTA corridor program, and whether SR 12 is, in fact, a feeder of the SR 395 route. Mr. Whitehouse indicated that SR 12 does not transport freight into the SR 295 corridor, but rather is mostly local freight traffic to support industry in the area.

Randy Hain, Olympic Region Administrator, stated that he would zero in on a few key points with examples, to show where he thinks changes in programming policy need to be made, and areas that shouldn't be changed. He first described the Olympic Region and the combined urban and rural nature of the region. He pointed out that SR 167's Improvement-Mobility project is an excellent example of creating a freight-oriented corridor to improve connectivity between urban ports and the interstate routes. The project will open up the ports and several industrial parks for freight movement within the state and for interstate and international commerce. Mr. Hain described the Cross-Base Highway project, which is early in the environmental impact statement process. Pierce County is the lead for the EIS, but wants the state to build the highway to connect I-5 with SR 7. The highway, along with a county road extension of 176th Street E to Orting, would open up the entire southeast Pierce County area of economic expansion. Mr. Hain commented that the current program structure works very well for economic projects such as SR 167 and the Cross-Base Highway, because they are in urban areas with clear travel time benefits.

Mr. Hain then provided two examples of projects that would be characterized as spot improvements, which would benefit from a change in the programming criteria. One project, at the intersection of US 12 and Sergeants Boulevard, involves Sierra Pacific Industries, which wants to create a wood processing operation that would bring in logs through the highway, then ship wood chips by barge and lumber by rail. The project would require signal improvements, but the Olympic Region has no funding mechanism to quickly provide funding, justified by the economic benefit. The other project is a request from the Tacoma Mall for a direct connection ramp. It would provide improved transportation service to the customers of the mall, and improve business for the mall, but will not affect the mobility along the state highway. The mall is willing to finance part of the ramp, but wants the Department to contribute to the funding as well.

Mr. Hain recommended that the Commission adopt an economic development program category under I3 – Economic Initiatives, which would fund projects under the following circumstances: if the project results in development or retention of income generative industry; and if the project funding is a partnership with developer, local government and state contributions. The program category appropriation should be discretionary and emergent, rather than tied to a specific project list. Mr. Hain suggested establishing a proposal review or programming committee to approve projects to receive the state contribution. He also suggested that both urban and rural areas be eligible. Commissioner Maher asked whether the Department would be able to quantify the jobs and tax revenues that would be created by the specific investments. Mr. Hain responded that the Department is able to generate that information. Mary Legry pointed out that there are many models available to predict employment and tax revenue results of investments. Paula Hammond commented that the Legislature is reluctant to approve discretionary spending programs. Mr. Hain responded that, on the other hand, it is legislators that contact the regional administrators requesting projects to be built that are not on the funded list, and therefore, could only be funded by a discretionary funding program.

Mary Legry, Business Lines Manager, stated that the Southwest Region develops its lists of projects and priorities with economic development in mind. She pointed out that economic benefit can be considered either from the standpoint of job creation or retention, or business revenue. She stated that job creation or retention should be the primary interest. Ms. Legry cautioned the Committee to be careful about believing industry promises to create jobs. Businesses have committed to investment, only to withdraw after the infrastructure is built. She stated that, on the other hand, even when businesses withdraw, the infrastructure remains for future use and has an economic benefit. The question is how speculative the Commission wants to be in the investment program.

Ms. Legry stated that the communities in the Southwest Region have several major projects that will impact economic development. The Columbia River channel deepening is vital, not only for the region, but also for the communities throughout the

Columbia Basin. The City of Longview is investing in an industrial park to prepare for future economic growth. The investment should be complemented by improvements in connections to Interstate 5. The ports in the area also are dependent on improvements in the rail line capacity. She pointed out that many of the corridor projects also help with the small projects along the corridor. Ms. Legry discussed the tourism economy in the region, which is being shaped by private organizations developing plans for US 12 and in other areas. She pointed out that many of the organizations are obtaining grant funding and proceeding with planning without waiting for the Department, which doesn't currently have the funding necessary to participate.

Jerry Lenzi, Regional Administrator, Eastern Region, briefed the Committee regarding the economy and transportation needs of the Eastern Region. He pointed out that the natural resource and agricultural industry of the area is dependent on the availability, capacity and reliability of the transportation system. The movement of freight in and out of the region is dependent on highways, railroads, rivers and airports, and their connection. He pointed out that Interstate 90 is a critical highway corridor, providing the primary east/west corridor through eastern Washington. Congestion in Spokane is an impediment to the efficient movement of freight and goods. An additional two lanes from Argonne Road to the Idaho border is a first step, but additional study needs to be made of the downtown Spokane corridor, which is also heavily congested. He stated that US 395 North is also a major freight corridor, which the North Spokane Corridor will partially address. US 2 from Spokane to Fairchild Air Force Base is a major freight corridor that is also a high accident corridor. US 195 has numerous safety concerns in the five-mile section in southwest Spokane due to approaches and at-grade intersections that are no longer appropriate for the traffic volumes. A study is presently underway to develop a design to address the capacity and safety issues in the corridor. Mr. Lenzi stated that SR 270 is also a major freight movement corridor, connecting two major university communities. The project is in preliminary design and is underway, but construction funding is waiting for legislative or public votes. Though it is entirely within the City of Spokane, SR 904 is a major corridor for freight movement, as well as the access for a major university complex.

Mr. Lenzi discussed a number of other routes within the Eastern Region that are important for freight movement and access to smaller communities that would be isolated without the transportation facilities. SR 21's Keller Ferry is the only lowland link between Ferry County and the major transportation corridors. SR 25 is a connection to Spokane for the tribes in the area. SR 31 is a major freight corridor in the northeastern area of the state, and improvements are essential to allow new industry into the area. SR 231 should be brought up to all-weather standards, to provide for year-round freight hauling without weight restrictions.

Mr. Lenzi also discussed the short-line rail facilities, which are essential for grain shippers; without the rail service, competition would not act to keep the shipping rates at a feasible level. He also mentioned the Ritzville Warehouse, which will add a major new

grain loading facility on Burlington Northern Santa Fe's mainlines. Another important rail project is the "Bridging the Valley" project, which will eliminate a number of at-grade crossings through the Spokane Valley, making freight and personal mobility more efficient. Mr. Lenzi completed his presentation by discussing the importance of the Snake River barge system to the overall transportation system.

Lorena Eng, Regional Administrator, Northwest Region, stated that the Northwest Region is the urban area of the state. The Central Puget Sound is the economic engine of the state. King, Snohomish and Island counties are considered urban. Skagit and Whatcom counties are more rural. At the same time, Boeing is the largest employer of the people of Skagit and Whatcom counties. A major issue for the northern counties is the border crossing, given the increased security requirements. The security issue is both a matter of operational resources and infrastructure improvements. Congestion relief is still the major issue for the region, which the rural areas contribute to because of the number of people commuting from the outlying areas into the urban centers. For the Northwest Region, addressing the congestion issues for the urban areas will benefit the entire region.

Rick Smith, Director, Planning and Capital Program Management, introduced a discussion regarding a possible revision in the programming structure. The Department is looking at ways to rebalance the project lists so that the Improvement-Mobility subprogram is exclusively targeted toward congestion relief, while the Improvement-Economic Initiatives subprogram is revised to focus on economic development. Greg Selstead, Program Delivery Manager, explained the new program structure being considered. He stated that it is extremely difficult to quantify economic benefit, but investment needs to be made to support efforts to improve the economic vitality of regions, regardless. A regional improvement program would be developed as a discretionary program within regional allocation. Criteria would be established to allow more flexibility on the part of the regional administrator and the regional planning organization to address economic issues. Projects would have to meet a deficiency identified in the Highway System Plan and the Regional Transportation Plan. The projects would also have to have a positive benefit/cost ratio. Mr. Selstead discussed a possible formula for distributing the subprogram funds among the regions, based 50% on population and 50% on lane miles. He also explained that the investments allowable under the new subprogram would be: all weather highways, trunk system completion, new safety rest areas, bridge restrictions, scenic byways, bike touring routes, avalanche/flood control, rural mobility, and urban bike connections.

Commissioner Maher commented that the current program structure is very rigid, and that the Commission should be able to use the criteria and funding from several programs to support specific projects that provide multiple benefits. Commissioner Forner commented that the enhanced role of the regional transportation planning organizations in project selection would improve their support for the investments selected.

Mr. Selstead indicated that the Department would use the existing economic models to predict economic benefit for the projects. Mr. Smith suggested that the program change would most likely be implemented in 2005-2007, though Ms. Hammond commented that if the Legislature does not adopt a new law budget during the 2002 legislative session, that the program might be changed for the 2003-2005 budget proposal. Commissioner Maher stated that she liked the concept being proposed but suggested the Committee think about it before making a recommendation. Commissioner Forner asked that the Department also provide copies of the Community Economic Revitalization Board's criteria for project selection under the Rural Economic Vitality program. Ms. Robbins indicated that the Department would provide copies of the criteria used by the other boards in making economic development related transportation investments.

Ray Deardorf, Planning Director, Washington State Ferries, provided the Committee with a system-wide perspective regarding the state ferry system. The system is the only transportation link for Vashon Island and the San Juan Islands. The residents of the Kitsap Peninsula have limited travel options, because of the congestion problems on SR 16 over the Tacoma Narrows Bridge and Interstate 5. All of the routes connecting the west side of the Puget Sound to the east side support commuter traffic, as well as freight traffic. He pointed out that tourism is also an important user of the system: the Port Townsend/Keystone route carries 3.5 times as much traffic in August compared to January, while the Anacortes/Sidney route carries 12 times as much traffic in August compared to January. Freight service is important to the west Sound communities. The three major freight routes are: the Edmonds/Kingston route, which carries 27% of the system's freight; the Mukilteo/Clinton route, which carries 20% of the system total; and the San Juan Island route, which carries 18% of the system total. Mr. Deardorf commented that Washington State Ferries is an enabler of economic growth as it provides commuter, freight and tourist traffic. At the same time, individuals who do not want development on the west side of the Puget Sound see restrictions of service as a means of limiting growth.

Commissioner Maher commented that WSF service to Kitsap County is mostly a bedroom community commuter service. Mr. Deardorf agreed that is the present pattern. Commissioner Forner responded that the Committee should therefore think about how, or whether, Washington State Ferries could support real economic development in the communities on the west side of the Puget Sound.

Commissioner Maher concluded the meeting by asking for a list of issues and perspectives from commissioners that staff should respond to at the next meeting.

The Committee meeting adjourned at 4:00 p.m. on January 18, 2002.